

**BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION**

**IN THE MATTER OF THE APPLICATION OF )**  
**IDAHO POWER COMPANY FOR AUTHORITY ) CASE NO. IPC-E-05-2**  
**TO INSTITUTE TIME-VARIANT PRICING )**  
**PILOT PROGRAMS FOR CUSTOMERS )**  
**PARTICIPATING IN THE AMR PHASE I ) ORDER NO. 29737**  
**IMPLEMENTATION PROJECT )**

On February 2, 2005, Idaho Power Company filed an Application seeking authority to institute time-variant pricing programs for customers participating in the Advanced Meter Reading (AMR) Phase I Implementation Project. In its Application the Company requests that the proposed Schedule 4 and Schedule 5 be approved effective March 4, 2005 and remain effective until April 1, 2006. However, the Company subsequently agreed and consented to an extension of the March 4, 2005 effective date. In Order No. 29717 the Commission authorized the use of Modified Procedure with comments due on March 11, 2005. Comments were filed by Commission Staff and by the Idaho Irrigation Pumpers Association, Inc. In this Order we approve the Company's Application.

**THE APPLICATION**

Idaho Power proposes two pilot programs for customers currently participating in the AMR Phase I Implementation project in the vicinity of the cities of Emmett and Letha, Idaho (Emmett Valley). The two proposed programs are: (1) Energy Watch Pilot Program, proposed Schedule 4; and (2) Time-of-Day Pilot Program, proposed Schedule 5. The Company proposes that both programs be offered to customers on an optional, voluntary basis.

The Application states that, consistent with its prior commitment to investigate and file with the Commission time-of-use pricing programs that utilize the capability of the AMR technology, the Company has designed two new residential pricing programs that utilize the hourly energy consumption data made possible by the AMR implementation. The goal of the pilot programs is to provide information to evaluate the impacts and benefits of time-variant pricing to residential customers. Customers participating in the voluntary programs may experience reduced electric bills, while the Company may experience reduced power cost expenses by providing energy to customers during less expensive time periods. The Application also states that the programs will enable the Company to measure customer interest in and

satisfaction with the programs, as well as implement and test electronic data transfer, billing, and metering systems that are necessary to successfully offer programs which rely on hourly meter readings.

The Company proposes that cumulative enrollment in the two programs be limited to 300 metered service points, consisting of approximately 150 customers for each pilot program. Service under the two pilot programs would be available starting June 1, 2005, and continue through April 1, 2006. The Application also proposes that interested customers be required to notify the Company of their desire to participate by May 15, 2005, and that selection for the programs be on a first-come, first-served basis. Under both programs the energy rates for non-summer months would be the same as those customers on Schedule 1 service, while the summer rates would differ for those in the pilot programs.

#### **Energy Watch Pilot Program – Proposed Schedule 4**

Under this program customers would pay a substantially increased flat rate for energy consumption during a designated Energy Watch Period. Energy Watch Periods will be determined by the Company. Program participants will be notified of the declared Energy Watch Period by 4:00 p.m. the day ahead by telephone and, where available, by email. Energy Watch Periods can occur on any weekday from June 15 through August 15, and will be for the hours of 5:00 p.m. to 9:00 p.m. The Company proposes that the Energy Watch Periods will occur on no more than 10 days from June 15 to August 15, for a total of 40 hours.

Current rates under Schedule 1 for residential customers are 5.0863 cents/kWh for the first 300 kWh and 5.7253 cents/kWh for all kWh over 300 kWh during the summer. The non-summer rate for Schedule 1 is 5.0863 cents/kWh for all kWh. Under the Energy Watch Pilot Program the proposed base energy rate for all hours other than the Energy Watch Periods is 5.0863 cents/kWh. During Energy Watch Periods the proposed base energy rate is 20 cents/kWh. The over-300 kWh pricing block will be eliminated. Customers participating in the Energy Watch Pilot Program would continue to pay the monthly service charge of \$3.30.

#### **Time-of-Day Pilot Program – Proposed Schedule 5**

Under this program customers would be given the opportunity to reduce their electric bills by shifting their summer usage, based upon three different price categories, from “on-peak” periods, when the cost to provide energy is highest, to the “off-peak” periods, when the cost to

provide energy is the lowest. During the non-summer season, the pricing would be the same as that under Schedule 1.

The three time-of-day periods for the summer season are defined and priced as follows:

| <b>Time-of-Day Period</b> | <b>Definition</b>  | <b>Energy Rate</b> |
|---------------------------|--|--------------------|
| On-Peak                   | 1:00 p.m. to 9:00 p.m., Monday through Friday  | 6.4781 ¢ per kWh   |
| Mid-Peak                  | 7:00 a.m. to 1:00 p.m., Monday through Friday  | 5.8090 ¢ per kWh   |
| Off-Peak                  | 9:00 p.m. to 7:00 a.m. on all day, and all hours on Saturday, Sunday, and the Fourth of July | 4.9725 ¢ per kWh   |

The summer and non-summer seasons are defined the same as under Schedule 1, with the summer season beginning June 1 and ending August 31. Customers participating in the Time-of-Day Pilot Program will continue to pay the monthly Service Charge of \$3.30.

#### **COMMENTS OF THE IRRIGATION PUMPERS**

The Irrigators, while supportive of the program, raise what they believe to be questions, inconsistencies, and possible shortcomings. The Irrigators do not seek a hearing or delay in implementing the program. The Irrigators state they have consistently been proponents of time-sensitive rates and other programs that will lower overall utility costs while providing incentives to customers. They state the proposed residential time-of-day program is consistent with these objectives and should be piloted to secure meaningful data then implemented system wide as soon as possible.

The Irrigators' main concerns included: the magnitude of the price differential between peak and off-peak; customer feedback; and the designation of on-peak periods.

Price Differential – The Irrigators compare Idaho Power's proposed rates for the Time-Of-Day Pilot, Proposed Schedule 5, to PacifiCorp's Schedule 36 rates in Idaho as follows:

|          | <u>IDAHO POWER</u> | <u>PACIFICORP</u> |
|----------|--------------------|-------------------|
| On-Peak  | 6.4781             | 10.4948           |
| Mid-Peak | 5.8090             | n/a               |
| Off-Peak | 4.9725             | 3.6168            |

The Irrigators state that PacifiCorp's very distinctive price differential between on-peak and off-peak, approximately three times, is working very well. The price incentive, about 30% differential, for Idaho Power's Pilot is minimal and appears inadequate.

Customer Feedback – The Irrigators state that it is not clear from Idaho Power's filing if customers will be given a comparison of what their bill would have been had they not opted for the time-of-use pilot program. There should be a simple comparison of each monthly bill under the time-of-day rate and what it would have been under the standard service.

Designation of On-Peak Periods – The Irrigators question why the proposal includes only the summer months. Additionally, they point out that the time in the proposed residential program for the mid-peak period is 7:00 a.m. until 1:00 p.m., while the mid-peak period for the irrigation time-of-day program (Schedule 25) goes from 9:00 a.m. to 1:00 p.m. Lastly, the Irrigators question why the proposed residential program covers only three months, while the Schedule 25 program covers four months.

### **FINDINGS OF FACT**

Although there are many ways to structure a rate design with respect to Time-of-Use (TOU) pricing with each having its own advantages and disadvantages, the Company's proposal is a reasonable one. There is a sufficiently strong price signal to encourage load shifting, yet the rate differences between peak and off-peak are not so aggressive as to be punitive to customers who fail to shift and/or reduce their energy use. As Idaho Power's peak load continues to increase relative to its average load, it is becoming increasingly important to reduce energy use during peak periods by providing proper price signals or by directly controlling load. It appears that both load-shaping programs are designed to help mitigate the increasingly high costs that Idaho Power incurs to provide peak load capacity.

Although greater participation in the pilot program than the 300 customers proposed by the Company may statistically be more useful, this level of participation (300 customers) will provide sufficient information to evaluate Time-of-Use pricing.

Commission Staff did an analysis based on actual use data collected over the last year from customers with AMR in the Emmett service area. This analysis applied the TOU pricing as proposed by the Company in these pilot programs to the actual usage of customers with AMR, and assumed that participating customers will have no change in use. This was done to see the effect that both proposed rate schedules would have on customer bills, and to see the effect on

total projected revenue. Assuming no change in customer use, the resulting change in bills would range from a \$14 decrease to a \$12 increase. Over 99% of the customer bills would change, either up or down, by less than \$10. Because of the difference in price for peak rate use, the actual effect on customer bills will obviously be greatly dependent on when the energy is used. Again, assuming no change in customer use, the resulting change in projected total revenue generated by the proposed Schedule 4 rates would increase by approximately 0.3%, and revenue generated by the proposed Schedule 5 rates would increase by approximately 2.8% over current rates. Given the small number of program participants, 300, Staff believes that the total revenue effect will be insignificant.

Any change in actual revenue generated from the pilot is likely to be less for two reasons. First, the primary purpose of the pilot is to encourage customers to shift energy usage away from high priced peak periods, so to the extent that the program is successful, it will generate less revenue. Secondly, this is a voluntary program and customers will tend to participate if they believe their bills will be lowered. A few participants may generate higher bills than they would have under the existing Schedule 1 rates, but it is likely that the majority of the participating customers will lower their bills under the pilot. This will tend to generate less revenue than a mandatory program.

In its Application the Company stated that it is not requesting recovery of reduced or lost revenues that may result from implementation of the pilot programs. However, the Company stated that the issue of lost revenues, and any mechanism that may be adopted to address lost revenues, should be fully investigated if either pilot program becomes permanent or is expanded beyond its current scope. We make no findings in this Order regarding the issue, if any, of lost revenues with regard to the proposed pilot programs.

#### **ULTIMATE FINDING OF FACT AND CONCLUSIONS OF LAW**

Idaho Power Company is an electrical corporation providing electric service to the public within the State of Idaho, *Idaho Code* §§ 61-118, 61-119, and is operating as a public utility. *Idaho Code* § 61-129.

The Idaho Public Utilities Commission has jurisdiction over Idaho Power Company, its Application to institute time-variant pricing pilot programs, and the issues involved in this

case by virtue of Title 61, Idaho Code, and more specifically *Idaho Code* §§ 61-129, 61-501, 61-502, 61-503, 61-515, 61-520, 61-523, 61-524, *et seq.*

### ORDER

IT IS HEREBY ORDERED that Idaho Power Company's Application to institute time-variant pricing pilot programs, Schedule 4 and Schedule 5, is approved.

IT IS FURTHER ORDERED that the Company shall include a status report and preliminary findings of the pilot with the Company's AMR Phase One Implementation Status Report at the end of 2005, and submit a final report to the Commission upon completion of the pilot program.

THIS IS A FINAL ORDER. Any person interested in this Order may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code* § 61-626.

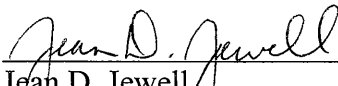
DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho this 22<sup>nd</sup> day of March 2005.

  
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PAUL KJELLANDER, PRESIDENT

  
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MARSHA H. SMITH, COMMISSIONER

  
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DENNIS S. HANSEN, COMMISSIONER

ATTEST:

  
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Jean D. Jewell  
Commission Secretary

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